



National Association of Development Organizations
400 North Capitol Street, NW, Suite 390 ■ Washington, DC 20001
202-624-7806 ■ FAX 202-624-8813
email info@nado.org ■ homepage www.nado.org

**Statement for the Record
of
Gary Gorshing,
Executive Director of the
South Western Oklahoma
Development Authority
and
Secretary
of the
National Association of
Development Organizations**

**Before the
House Agriculture
Subcommittee on Conservation, Credit,
Rural Development and Research**

**Washington, DC
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NADO Statement on USDA Rural Development for the House Agriculture Subcommittee on Conservation, Credit and Rural Development

Thank you, Mr. Chairman and members of the subcommittee, for the opportunity to submit testimony today on the importance of a strong and comprehensive rural development title in the upcoming Farm Bill. My name is Gary Gorshing, and I am the Executive Director of the South Western Oklahoma Development Authority in Burns Flat, Oklahoma. I also currently serve as the Secretary of the National Association of Development Organizations (NADO) and Chairman of NADO's Rural Development Task Force.

ABOUT NADO AND REGIONAL DEVELOPMENT ORGANIZATIONS

The National Association of Development Organizations (NADO) provides training, information and representation for regional development organizations serving the 82 million residents of small metropolitan and rural America. The association, founded in 1967 as a national public interest group, is a leading advocate for a regional approach to community and economic development.

NADO members—known locally as councils of government, economic development districts, local development districts, regional planning commissions and regional councils—provide valuable professional and technical assistance to over 2,000 counties and 15,000 small cities and towns. They also administer and deliver a variety of federal and state programs, based on local needs. Programs include aging, census, community and economic development, emergency management, small business financing, transportation and workforce development. Each region is governed by a policy board of elected officials, business leaders and citizen representatives. Associate members of NADO include state, county, city and town officials; educational and nonprofit organizations; utilities; and businesses and individuals.

The South Western Oklahoma Development Authority (SWODA) serves eight counties, 46 cities and towns, and ten conservation districts within the region. In addition to providing planning and technical assistance to local communities, SWODA delivers aging services as an Area Agency on Aging; administers four loan program including USDA IRP, SBA 7A loan Guaranty Program and 504 loan program and a SWODA revolving loan fund; manages the 3,000-acre Clinton-Sherman Industrial Airpark, a former defense facility; administers local Workforce Investment Act programs; and assists local communities with EDA, USDA and HUD Community Development Block Grant proposals, rural fire defense initiatives, solid waste projects, historic preservation efforts and other community development issues.

POLICY PRIORITIES FOR THE UPCOMING FARM BILL

In crafting the next Farm Bill, Mr. Chairman, the members of the National Association of Development Organizations strongly urge the committee to develop and support a comprehensive rural development title. **We believe there are three main points that support our position.**

1. Rural communities need federal development assistance programs and policies that allow them to identify, address and meet local needs.
2. USDA rural development programs should remain focused on supporting the basic needs of local communities, such as water and wastewater systems, small business development finance, telecommunications and housing.
3. Local capacity building and technical assistance programs, such as the proposed Rural IMPAC program, are essential to the long-term stability and recovery of rural communities.

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First, Mr. Chairman, rural communities need federal development assistance programs and policies that allow them to identify, address and meet local needs, whether they are basic infrastructure, education, health care, small business development, telecommunications or transportation related. As the following data demonstrates, rural America is a diverse, complex and constantly evolving place. That is why a “one-size-fits-all” federal rural development policy is impractical, unreasonable and ineffective.

Home to almost one-third of the nation’s population (equivalent to the urban population), small town and rural America is a diverse and constantly changing place. Rural America comprises 2,192 of the nation’s 3,066 counties (counties of 50,000 and below), 75 percent of all local governments and 83 percent of the nation’s land.

While the common perception is that rural Americans only live in the South, Midwest and Great Plains, more rural Americans live in New York, for example, than rural Idaho, Montana, Nebraska, Nevada, North Dakota, South Dakota, Utah and Wyoming combined. States with the largest total rural populations include Pennsylvania, Texas, North Carolina and Ohio.

While no one industry dominates the entire rural economy, the service sector now accounts for almost 50 percent of employment, with manufacturing employing twice as many people as all natural resource production activities combined, including agriculture, forestry, fishing and mining. While still an important fabric of rural life, farming represents less than eight percent of rural jobs and 50 percent of farm families rely heavily on off-farm income.

Demographic trends also suggest that rural Americans are proportionally older, more likely to live in poverty and less educated than their urban counterparts. However, individual rural communities are constantly changing and evolving, as many are becoming booming retirement destinations and tourist attractions, while others are struggling to diversify away from a one-industry town.

Unfortunately, the current structure of federal assistance programs fails to fully recognize and address the complex set of challenges facing rural communities. In comparing federal assistance for urban and rural communities, for example, one quickly discovers a troubling trend that explains the perpetual problems plaguing some rural communities.

While urban communities receive a substantial amount of federal grant money for infrastructure development, the bulk of rural assistance is in the form of transfer payments such as Social Security, Medicare and agriculture payments. Furthermore, urban counties and cities are more likely to receive economic development, housing and transportation funding directly from federal agencies, while rural communities must compete on a national, state or regional basis.

The US Department of Housing and Urban Development’s (HUD’s) \$4.8 billion Community Development Block Grant (CDBG) program is one of the largest federal domestic assistance programs. Under the program, approximately 1,000 of the nation’s largest cities and counties divide over \$3 billion each year in entitlement spending. This flexible funding allows them to meet important local needs. Meanwhile, the other 30 percent of funding is distributed to states for the small cities program. While an essential and effective program, the nation’s 14,000-plus rural communities must compete within their state for these CDBG funds.

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Another example is the \$32 billion annual federal highway program, where urban areas directly receive millions of dollars for planning and infrastructure development activities while historically rural communities have had to work through state departments of transportation. With the bipartisan leadership of the Rural Caucus, however, Congress has made significant strides in recent years to correct this inequity.

Adding further to the discrepancy between urban and rural areas is the type of assistance available to rural communities. Many of the federal economic development programs targeted to urban areas are in the form of grant assistance, while many rural programs, including USDA rural development programs, rely heavily on loans and loan guarantees instead of grants. Urban communities typically also have more access to capacity building and technical assistance dollars from HUD and other agencies, whereas most rural economic development planning is funded through the US Economic Development Administration's effective but small program.

Without a greater commitment by this committee and Congress to a stronger USDA rural development program, rural communities will continue to be at a marked disadvantage in trying to build and sustain viable local economies. This statement was recently endorsed by over 117 members of the Congressional Rural Caucus who pledged their support for a comprehensive rural development title as part of the Farm Bill rewrite.

Second, Mr. Chairman, USDA rural development programs need to remain focused on supporting the basic needs of local communities, such as water and wastewater systems, small business development finance, telecommunications and housing. All of these are essential building blocks for local economic development efforts, which eventually result in better paying jobs and an improved quality of life for local residents.

In December 2000, the NADO Research Foundation surveyed the 320 regional development organizations serving small metropolitan and rural America about their existing programs, organizational structure and regional needs. Nationally, the overwhelming response for the area of greatest need was for water and wastewater improvements, with transportation and workforce development rounding out the top three. The other most commonly mentioned needs involved funding for capacity building and access to advanced telecommunications.

Survey respondents were also asked to identify the USDA rural development programs they use most frequently to assist their rural communities. The top three programs were: water and wastewater program, rural business enterprise grants (RBEG) program and intermediary relending program (IRP). Other key programs included: community facilities, rural business opportunity grants (RBOG), solid waste management and rural housing programs. However, a common complaint from NADO members is that too much of USDA rural development funding is set-aside for specific communities, whether for the handful of rural Empowerment Zones and Enterprise Communities (EZs/ECs) or specific areas such as the Delta and Tribal communities.

It is also important to note that the vast majority of rural local governments rely on regional development organizations to help them understand the complex menu of USDA programs, required matching requirements and, often times, burdensome paperwork. *(Note: Over 33,000 of the nation's 39,000 units of local government have populations below 3,000 and 11,500 employ no fulltime professional employees.)*

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When regional development organizations have been eligible to compete for, and receive, USDA rural development funding they have made major strides for their communities. Following are just a few examples of the impact regions are making with the RBOG and IRP programs:

- In Alabama, the Alabama-Tombigbee Regional Council, headquartered in Camden, received a \$28,000 RBOG grant to develop a strategic plan for their ten-county region. This project enabled local leaders to work together on a regional basis to identify their strengths and weaknesses. The end product will be a strategic plan that will serve as the local roadmap for future development.
- In Maine, the policy board members of the Northern Maine Development Commission identified business development and retention as a top priority during their comprehensive development strategy planning. In response, USDA awarded them with a small RBOG grant to establish a technical assistance support center for small businesses. By addressing this locally identified need, the technical assistance center is investing in the start-up, retention and expansion of local businesses, all resulting in the creation of new jobs in this distressed rural region.
- Headquartered in North Fort Meyers, the Southwest Florida Regional Planning Council is leveraging a \$95,000 RBOG grant to support a \$250,000 regional strategic initiative for rural development. This multi-faceted program is helping the region assess the skills of the local workforce and identify areas of needed training; pinpoint new industries to complement the area and develop a marketing plan for attracting those new businesses; and establish a business development specialist in the local Small Business Development Center to assist local entrepreneurs.
- In Pennsylvania, the loan programs of the North Central Pennsylvania Regional Planning and Development Commission have helped create or retain over 3,000 jobs since 1984, including its highly successful IRP fund. The local company Gasbarre Products, for example, has used five loans over the past 12 years to expand from 55 employees to almost 300.
- In South Dakota, the Northeast Council of Governments uses its IRP program to support local small businesses, including one loan in Eureka that helped establish a local convenience store, the only one within miles of the town.

NADO strongly believes that the RBOG and IRP programs are valuable tools for regional development organizations. However, the effectiveness of the RBOG program, which has grown from less than \$1 million in FY1998 to \$8 million in FY2001, has been restricted by congressional mandates and USDA practices. By earmarking almost 50 percent of RBOG funds for rural EZ/ECs and REAP zones, each state is typically left with between \$50,000 and \$200,000. Congress should either increase funding to ensure each USDA state rural development director has sufficient funds or eliminate set-asides and make it a national discretionary competitive program.

The IRP program would also be more effective at reaching higher risk businesses if intermediaries were awarded grants instead of loans that need to be repaid to USDA. Otherwise, they will generally continue to make lower-risk loans that are less likely to go into default in order to make interest and principal payments over the life of the loan from the intermediary to USDA.

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Another important comment on existing USDA rural development programs relates to the 1996 Farm Bill requirement that each USDA state rural development director develop a five-year strategic plan. Recognizing that Congress failed to provide additional funding for this activity, it is still disheartening that the vast majority of state directors failed to consult with rural local officials in crafting their development strategies. In rewriting the Farm Bill, we urge the committee to build on and strengthen this important process by calling for more local input and control.

Third, Mr. Chairman, local capacity building and technical assistance programs, such as the proposed Rural IMPAC program, are essential to the long-term stability and recovery of rural communities. Without professional staff to facilitate the development of local action plans and to understand the complexities of federal assistance programs and rules, most rural communities will remain at a substantial disadvantage to their suburban and urban counterparts.

Fortunately, a relatively small federal investment in local capacity building can be stretched a long way in rural America, particularly if implemented on a multi-county basis. Before describing the concept of the NADO-proposed Rural Investment Program for Area Capacity (Rural IMPAC) program, I want to highlight a sample of successful partnership programs between USDA rural development and regional development organizations.

- In the mid-1990s, the USDA state rural development director in Iowa recognized the intense need for additional training and outreach on USDA programs at the local level. Instead of further extending the workload of USDA officials, the director awarded four regional councils of government \$50,000 each to establish the “Reaching Out to Rural America Pilot.”

As part of the pilot project, the councils of government provided educational seminars for local officials, business leaders and private nonprofits about the menu of rural development programs, explored alternatives for using programs such as IRP, and developed electronic means for facilitating local communications. They also met regularly with USDA officials to identify additional ways to help local organizations fund and complete needed projects.

- USDA officials in four other states (Michigan, Ohio, Tennessee and Virginia) have also signed agreements with individual regional development organizations to help with local outreach, training and grant applications. However, most do not receive funding for their efforts. In the early 1990s, for example, the state of Tennessee had 80 USDA offices that provided financial assistance to its 95 counties. By realigning the rural development offices along the boundaries of the nine regional development districts, USDA streamlined their overhead from 80 offices to nine, and its staff from 261 employees to 170. It also allowed the USDA rural development offices in Tennessee to work more effectively with the development districts to meet local community needs.

Study after study by federal agencies and universities have concluded that additional funding for capacity building and technical assistance programs is one of the most pressing needs facing rural governments and communities. This stems from the fact that most rural local governments simply do not have the financial resources to hire professional economic development practitioners. And, presently there are few federal programs designed specifically for their needs—unlike urban areas that receive millions of dollars in direct funding from HUD and Department of Transportation.

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As a result, it is often difficult for the nation's 14,000-plus rural communities to access both public and private sector funds designed to help them address basic infrastructure, housing, small business development finance, technology and transportation needs, all essential building blocks for creating a sustainable local economy. As a further consequence, most rural communities lack the professional expertise and financial resources needed to fund, develop and implement a comprehensive plan of action.

A sound and proven alternative for USDA rural development is to partner with the national network of 320 regional development organizations, who have almost daily contact with cities, counties, towns and other community organizations, in addition to decades of experience in combining and leveraging resources to meet local needs.

In implementing a program such as the proposed **Rural Investment Program for Area Capacity (Rural IMPAC)** program, Congress would be moving a step closer to helping local communities overcome the fractured system of federal rural development programs. The program would place communities in a better position to address local issues on a regional basis, whether it relates to water treatment facilities, technology upgrades, closing of a major plant or cleanup after a natural disaster. Rural communities will also be more capable of taking a proactive approach to economic development, instead of the traditional reactionary model.

Whether a region is currently enjoying economic stability or coping with long-term challenges such as declines in traditional industries, they must plan for tomorrow, or risk falling far behind in the competitive global and high-tech marketplace. History has clearly demonstrated that communities who fail to adjust are often left behind. In the late 1800s it was those disconnected to railroads, in the 1960s it was the interstate highway system and today it is high-speed Internet connections.

Just developing advanced telecommunications systems alone, however, will not be enough for rural America. Industries and residents will still need basics assets such as quality infrastructure, schools, health facilities and seamless transportation networks. Following are brief examples of how NADO members are helping local communities prepare for the future.

- In Oklahoma, the South Western Oklahoma Development Authority (SWODA) is using its Geographic Information System (GIS) and Global Positioning System (GPS) to develop capital improvement plans for local governments, a process that requires an inventory of all public assets. By cataloging and mapping every road, bridge, water line, public building and other assets, SWODA can develop visuals for local elected officials and business leaders who are developing infrastructure investment strategies. The data can also be used for zoning decisions, land use management, transportation planning and an almost endless list of other activities.
- Examples of technical assistance provided by the 24 regional councils of government in Texas include financial management, planning and community development, joint data and computer services, cooperative purchasing, development of 911 systems, regional training programs for local officials and law enforcement officers, establishment of housing finance corporations, organization of legal services and credit unions for small cities, preparation of grant applications and local ordinance writing.

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- In eastern Kentucky, several regional development organizations are involved in a life-changing program that is providing area residents with clean and safe drinking water, many for the first time in their lives. Due to the natural landscape, it is often extremely costly for local residents to install water and waste treatment systems such as septic tanks. Historically thousands of Appalachia residents have used straight pipes to dispose of waste, usually directly into creeks, streams and rivers.

In response, the regional development organizations, under the leadership and support of Congressman Harold Rogers, have developed maps of the straight pipe locations and educational programs about their environmental impact. They have also created revolving loan funds for area residents to obtain low interest loans for septic tank purchases. This model program has helped improve the quality of drinking water in the region and protect the environment, while also restoring pride in the communities.

- Faced with overcrowding jails, an overflowing landfill and growing debt, McMinn County officials in Tennessee learned firsthand the benefit of regular strategic planning sessions with the Southeast Tennessee Development District. Over a ten-year period, the county has worked with the district to address these pressing needs while also planning for the future. As a result, the county will be debt-free by 2002 and plans to implement a new pay-as-you-go policy.
- In North Carolina, the Upper Coastal Plains Council of Government helped the rural town of Scotland Neck secure a USDA rural development grant to update and modernize the public library. By leveraging the USDA dollars with additional private sector and foundation funds, the town will add computers with high-speed Internet access to allow citizens and students to gain new opportunities and upgrade their skills.
- In Virginia, the New River Valley Planning District Commission continues to shepherd four counties through a decade-long economic recovery. The district helped create, and staffs, the area's first regional industrial park authority. The district is also providing ongoing support to the planning and design of a new technology magnet school, a partnership preparing high school students for careers in high technology fields.

By further strengthening regional development organizations through the Rural IMPAC program, Congress would be ensuring that the nation's most rural communities could set goals, priorities and make more informed and effective decisions. We urge the committee the support the creation of the Rural IMPAC program

In closing, Mr. Chairman, I want to thank you and the committee for the opportunity to comment on USDA rural development programs, and federal rural development policies in general. I also want to reiterate our three main points: (1) Rural communities need federal development assistance programs and policies that allow them to identify, address and meet local needs. (2) USDA rural development programs should remain focused on supporting the basic needs of local communities, such as water and wastewater systems, small business development finance, telecommunications and housing; and (3) Local capacity building and technical assistance programs, such as the proposed Rural IMPAC program, are essential to the long-term stability and recovery of rural communities. Thank you again for the opportunity to comment on this important matter.